

## **Projected Revenue Gains and (Losses) of LB 312 for Tax Years 2008-2017 Projects by Fiscal Year**

Incentive tax credits can influence the Nebraska economy positively, and those economic effects can in turn affect state revenues. Using a Computable General Equilibrium (CGE) model, the fiscal impacts of the program are estimated over the next ten years. This estimate is based upon 145 completed and 535 active LB 775 projects. These assumptions will be modified in the future with experience gained from LB 312 projects.

To analyze the fiscal impact of the tax credits, the Dynamic TRAIN model, a custom built Nebraska CGE model, is used. In TRAIN, the Nebraska economy is divided into 72 distinct sectors in order to explicitly trace economic flows.

TRAIN especially details state government sectors in order to capture the sensitivity of state government revenue and expenditure flows. TRAIN calculates most tax impacts within the model, without requiring additional calculations outside of the model to obtain final results. This allows the researcher to avoid rigid assumptions that may deliver vague results. TRAIN mathematically expresses the Nebraska economy with over 1,300 equations and a Social Accounting Matrix database. It has 26 industrial sectors, 2 factor sectors, an investment sector, 9 household sectors, 33 government sectors and a rest-of-world sector.

When constructing a general equilibrium model, the critical assumption is that the initial condition of the economy is in equilibrium. Therefore, the model is constructed so that its equilibrium replicates observed data in the starting year. The data for TRAIN is the most recently released Social Accounting Matrix (SAM), using data from 2006. The estimate of tax credits used is based on LB 775, as there have been no LB 312 credits used as of yet.

A more detailed description of the TRAIN model is available upon request.

## Fiscal Analysis of LB 312

|                          | <b>2008-09</b> | <b>2009-10</b> | <b>2010-11</b> | <b>2011-12</b> | <b>2012-13</b> |
|--------------------------|----------------|----------------|----------------|----------------|----------------|
| Revenue Generated by ITC | 14,157,503     | 20,282,145     | 25,290,728     | 29,300,541     | 32,261,874     |
| Tax Credit               | 13,444,253     | 31,336,027     | 51,027,028     | 72,764,763     | 97,500,765     |
| Revenue loss             | 4,151,199      | 12,560,246     | 25,726,702     | 42,180,355     | 60,404,219     |
| Credit Use               | 2,086,109      | 6,646,520      | 14,375,213     | 24,446,753     | 35,841,194     |
| Direct Sales and Use     |                |                |                |                |                |
| Tax Refund               | 2,065,090      | 5,913,725      | 11,351,489     | 17,733,602     | 24,563,024     |
| Net Revenue Gains (Loss) | 10,006,303     | 7,721,899      | (435,974)      | (12,879,814)   | (28,142,345)   |
| Cumulative               | 10,006,303     | 17,728,202     | 17,292,228     | 4,412,414      | (23,729,931)   |
|                          | <b>2013-14</b> | <b>2014-15</b> | <b>2015-16</b> | <b>2016-17</b> | <b>2017-18</b> |
| Revenue Generated by ITC | 34,322,101     | 36,294,656     | 37,964,234     | 40,576,302     | 44,425,996     |
| Tax Credit               | 122,008,614    | 140,954,120    | 153,635,330    | 163,039,934    | 169,957,673    |
| Revenue loss             | 79,046,344     | 95,575,484     | 107,731,734    | 115,981,476    | 121,575,232    |
| Credit Use               | 47,854,126     | 58,884,018     | 67,273,983     | 73,082,526     | 77,147,212     |
| Direct Sales and Use     |                |                |                |                |                |
| Tax Refund               | 31,192,218     | 36,691,465     | 40,457,750     | 42,898,950     | 44,428,020     |
| Net Revenue Gains (Loss) | (44,724,243)   | (59,280,828)   | (69,767,500)   | (75,405,174)   | (77,149,236)   |
| Cumulative               | (68,454,174)   | (127,735,001)  | (197,502,501)  | (272,907,675)  | (350,056,910)  |